

HOUSE BILL REPORT

HB 2255

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to making adjustments to improve benefit equity in the unemployment insurance system.

Brief Description: Making adjustments to improve benefit equity in the unemployment insurance system.

Sponsors: Representative Conway.

Brief History:

Committee Activity:

Commerce & Labor: 3/2/05 [DP].

Brief Summary of Bill

- States legislative findings and an intent to reinstate the requirement for liberal construction in the unemployment insurance laws and to make adjustments in the unemployment insurance system to allow improvements in benefit equity.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 4 members: Representatives Conway, Chair; Wood, Vice Chair; Hudgins and McCoy.

Minority Report: Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Sump, Assistant Ranking Minority Member; and Crouse.

Staff: Chris Cordes (786-7103).

Background:

In 2003, Washington's unemployment insurance system was modified in 2ESB 6097. Among other modifications, the bill removed a requirement that these laws be liberally construed and made various changes in benefit calculations. For example, prior to the bill, a claimant's weekly benefit amount was calculated based on 4 percent of the average wages in the claimant's two quarters of the base year in which his or her wages were the highest. Beginning in January 2005, the weekly benefit amount is based on 1 percent of the claimant's annual wages.

Summary of Bill:

The Legislature finds that the unemployment insurance system is falling short of its goals and intends to reinstate the requirement for liberal construction of the unemployment insurance laws and to make adjustments in the unemployment insurance system to allow improvements in benefit equity.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Construction workers were particularly hurt by the 2003 unemployment insurance bill. Construction goes on year-round and should be understood as an industry that is impacted by economic cycles and weather, but is not seasonal. Many workers depend solely or heavily on unemployment benefits during the periods between jobs. Construction workers cannot always move immediately to the next construction job. Workers could plan for and manage to live on benefits at the previous levels, but the change to three-quarter averaging, and now to 4-quarter averaging, is crippling to many. At least 33 states use some form of two-quarter averaging, which should be the standard. Surveys of workers show how many live on the edge and how fragile their economic security is. The lost benefits translate into large losses in purchasing power in the community. Last year, about \$52 million was lost in purchasing power under three-quarter averaging and the loss could double under four-quarter averaging. There was no public hearing to warn of the drastic benefit cuts that resulted from the 2003 legislation. It is not clear that the Legislature or the public realized the impact that the bill would have on workers and communities. Those workers who are hardest hit are those who do not determine when work is available. Even those at the maximum benefit amount will see a large cut. There is a need to correct the benefit inequity in the system. The 2003 bill resulted from failed negotiations and might have been harder to pass if there had been public input.

(With concerns) The business community is generally opposed to the concept of opening up the unemployment insurance system at this time. The state still has the highest unemployment taxes, and the system needs the balance that was crafted in 2003. Those changes had very broad support and participation in crafting, while the previous 2002 legislation had a much narrower base of support. The 2003 bill did not reduce costs for all industries and, for example, in construction, the industry is paying more as part of the deal. Any changes that do not recognize the balances and relationships within the system could throw the trust fund into insolvency and be detrimental to the state's economy. However, the concerns about benefit equity are recognized. Any solution must keep in mind certain principles, including the need to address seasonal issues, to avoid cost shifting, to maintain solvency of the system, and to keep costs at no more than 200 percent of the national average. In considering this legislation, it would be useful to establish the principles that would guide

what everyone is trying to achieve. There should be a recognition that the previous legislation addressed an inequity in how the unemployment system was paid for and that the seasonal industries need relief from an unfair burden. While there was broad support for the 2003 bill, some industries' concerns were not fully addressed. For example, there was general agreement that if the system was reopened to amendment, the seasonal industries should have their concerns addressed. Both agricultural workers and employers took a hit under the 2003 legislation. Many employers in the industry immediately rose to the top rate of 6 percent. When that industry's workers file claims every year, the employer cannot pay enough in taxes to cover the cost. There should be full public discussion and an understanding of all perspectives as part of working on this issue.

Testimony Against: None.

Persons Testifying: Dave Johnson, Washington State Building and Construction Trades Council; Pam Crone, Unemployment Law Project; and Jeff Johnson, Washington State Labor Council.

(With concerns) Mellani McAleenan, Association of Washington Business; Jan Gee, Washington Retail Association and Washington Food Industry; Rick Slunaker, Association of General Contractors; and Chris Cheney, Washington Growers League.

Persons Signed In To Testify But Not Testifying: None.